

SENATE BILL REPORT

SB 5287

As Reported By Senate Committee On:
Water, Energy & Telecommunications, February 23, 2007

Title: An act relating to renewable energy.

Brief Description: Using renewable resources and energy credits to meet electricity consumption targets.

Sponsors: Senators Rockefeller, Poulsen, Kilmer, Regala, Murray, Shin, Kline and Kohl-Welles.

Brief History:

Committee Activity: Water, Energy & Telecommunications: 2/13/07, 2/23/07 [DPS-WM, DNP].

Ways & Means: 3/1/07.

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 5287 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Fraser, Marr, Morton, Oemig, Pridemore and Regala.

Minority Report: Do not pass.

Signed by Senators Honeyford, Ranking Minority Member; Delvin and Holmquist.

Staff: William Bridges (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Brian Sims (786-7431)

Background: Federal Renewable Energy Purchase Requirements: The Energy Policy Act of 2005 requires the U.S. Secretary of Energy to ensure that "to the extent economically feasible and technically practicable" the U.S. government uses renewable energy according to the following schedule: (1) not less than 3 percent in fiscal years 2007 through 2009; (2) not less than 5 percent in fiscal years 2010 through 2012; and (3) not less than 7.5 percent in fiscal year 2013 and each fiscal year thereafter. "Renewable energy" is defined to include solar, wind, biomass, landfill gas, ocean, geothermal, municipal solid waste, or new hydroelectric generation capacity achieved from increased efficiency or additions of new capacity at an existing hydroelectric project.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In September 2006, the U.S. Environmental Protection Agency announced it was the first major federal agency to purchase renewable energy equal to 100 percent of its estimated annual electricity use nationwide.

State Renewable Energy Purchase Requirements: According to the Pew Center on Global Climate Change, nine states have established renewable-energy purchase requirements for state agencies: Connecticut, Iowa, Illinois, Maryland, Maine, New Jersey, New York, Pennsylvania, and Wisconsin. Most of the purchase requirements have been established by executive order, with Connecticut's being the most ambitious: 20 percent by 2010, 50 percent by 2020, and 100 percent by 2050.

Initiative 937: Passed in 2006, the Initiative imposes targets for energy conservation and the use of eligible renewable resources on the state's utilities that serve more than 25,000 customers. The Initiative defines "eligible renewable resource" to mean such things as wind, solar energy, and certain biomass energy. The term also includes incremental electricity produced from efficiency improvements completed after March 31, 1999, to hydroelectric dams.

Renewable Energy Credit (REC): To promote the use of renewable energy, such as wind and solar power, markets for tradable RECs have been created. Sometimes called "green tags," these credits are sold in the marketplace and represent the environmental attributes of the energy. The price of a REC originally represented the difference between the market price for electricity and the price a developer needed to make the renewable energy economically feasible. But now the price is also influenced by voluntary green energy options, renewable energy mandates, and the carbon dioxide mitigation market.

Initiative 937 defines "renewable energy credit" as a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource that is verified by a tracking system selected by the Department of Community, Trade, and Economic Development (CTED).

Summary of Bill: Creating a Renewable Energy Purchase Requirement for State Agencies: Each state agency that is a retail electric customer is required to use eligible renewable resources or acquire and retire equivalent renewable energy credits, or a combination of both, to meet the following electricity consumption targets:

- at least 25 percent of its total annual electric usage from eligible renewable resources in fiscal year 2009;
- at least 50 percent of its total annual electric usage from eligible renewable resources in fiscal years 2010 through 2011;
- at least 75 percent of its total annual electric usage from eligible renewable resource in fiscal years 2012 through 2013; and
- 100 percent of its total annual electric usage in fiscal year 2014 and each fiscal year thereafter.

In meeting the targets, state agencies may include any eligible renewable resource provided by their serving electric utility's load as documented by the most recent fuel mix reports submitted to CTED.

Requiring Surveys and Reports: The Department of General Administration (GA) must survey and report the efforts of state agencies in meeting the targets. The first report is due to

the appropriate standing committees of the Legislature in December 2009 and every year thereafter.

Authorizing the Purchase of Renewable Energy Credits: Subject to availability of amounts appropriated for this specific purpose, GA is authorized to negotiate and purchase on behalf of state agencies renewable energy credits. GA must retire any renewable energy credit purchased to satisfy a target.

Definitions: The I-937 definitions of "eligible renewable resource" and "renewable energy credit" are adopted. "State agency" is broadly defined and includes the Legislature, appellate courts, all state agencies, and institutions of higher education created and supported by state government. It does not include political subdivisions; units of local government; superior, district, and municipal courts; school districts; municipal corporations; quasi-municipal corporations; special purpose districts; or local service districts.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Water, Energy & Telecommunications): The renewable target of 25 percent in FY 2009 is changed to 25 percent by FY 2011. The target of 50 percent by FY 2010 through 2011 is changed to 35 percent in FY 2015 through 2016. The targets of 75 percent by FY 2012 through 2013 and 100 percent by FY 2014 are changed to 50 percent in fiscal year 2019.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is for sparking a discussion on the state's role as a consumer in the renewable energy marketplace. Last session, the Legislature dealt with the production and purchase of alternative fuels. This session the Legislature should jump start the use of renewable energy and renewable energy credits in a manner that supports Initiative 937. The targets are good and can be met. Wind power can play a major role in meeting the renewable energy targets.

OTHER: The Initiative 937 definition of "eligible renewable resource" is too narrow and excludes woody biomass fuel.

Persons Testifying: PRO: Senator Rockefeller, prime sponsor; Jim Potts, Renewable Northwest Project and Northwest Energy Coalition.

OTHER: Llewellyn Mathews, Northwest Pulp and Paper Association.